



REPORT HIGHLIGHTS

Report 2003-31

OFFICE OF CITY AUDITOR – SEATTLE

June 13, 2005

A copy of the Office of City Auditor's full report regarding Construction Contract Management can be obtained at the Auditor's website at <http://seattle.gov/audit>. Please direct any questions or comments regarding this report, or suggestions for future audits to Susan Cohen, Seattle City Auditor, at susan.cohen@seattle.gov.

IMPROVING THE CITY'S CONSTRUCTION CONTRACT MANAGEMENT

Exhibit 1: Overall Rating of the City's Construction Contract Management	
Primary Goal for Contracting	City's Overall Performance
Efficiency	3
Effectiveness	4
Accountability	3
Equity	2

KEY			
Commendation	5	Comment	3
Satisfactory	4	Concern	2
Not reviewed		Problem	1

City's Construction Contract Management Has Room For Improvement

We reviewed construction contract management practices for a judgmental sample of fifty-eight projects in seven departments involved with the City's Capital Construction program. We compared department practices and project documentation against a standard template of best practices developed by the Office of City Auditor over the last several years, and found that overall, the City has acceptable contract management practices. We gave the City high "marks" for the effectiveness of its practices. We also believe the City could improve the efficiency, accountability, and equity of its practices. Our results are summarized in the exhibits on this page.

Audit Objectives

The City of Seattle awards about 100 construction contracts in a typical year, with a total value often exceeding \$60 million. Between December 2003 and December 2004, we examined construction contract management processes in seven City departments that have construction functions. Our focus was on contracts valued at under \$5 million, a category that includes the vast majority of the City's capital projects. We looked at 1) how well the City met the four primary goals of contract management (efficiency, effectiveness, accountability, and equity); and 2) whether City departments established and executed sufficient controls over their construction management practices.

Exhibit 2: Rating of the City's Construction Contract Management Controls							
Controls Tested	SPU	SCL	SDOT	DPR	FFD	SeaCtr	DEA/CSD
Bidding Process/Contract Award Process	4			4	4	4	5
Policies and Procedures	5			2	2	2	3
Document Management System	5		3	3	3	3	4
Construction Management	4			3	3	4	
Payment Review, Authorization, and Processing	4	4	4			4	4
Amount Paid on Contract	3			4	4	4	
Change Order Management	3			4	4	4	

Recommendations. In addition to a number of department specific recommendations, the report offers three citywide recommendations regarding consolidating services into Seattle Public Utilities, ensuring a consistent system for document management for use by all departments, and improving equity by discontinuing the practice of adding work at additional sites after a contract is issued.